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August 1, 2008

Albert Angeli, Park Superintendent
Yucaipa Regional Park
33900 Oak Glen Road
Yucaipa, CA 92399

SUBJECT: CASH CONTROL AUDIT

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing and the Standard Practice for Cash and Internal Controls, we have completed the cash control audit of Yucaipa Regional Park. Our audit was conducted in accordance with the standards developed by the International Standards for the Professional Practice of Internal Auditing.

Background

Yucaipa Regional Park is one of nine parks managed by the County's Regional Parks Administration. The Park has three authorized cash funds, which total \$3,150. The various recreational activities offered within the park are the primary resources for cash in-flows.

Scope of Audit

Our objective was to determine whether the cash handling controls practice were effective. Specifically, we determined whether:

- Cash assets were properly safeguarded.
- Cash deposits were made on a timely basis.
- Cash funds were managed in accordance with the County's Internal Control and Cash Manual.

We accomplished our objectives by performing the following audit procedures:

- We performed surprise cash counts of all the authorized cash funds and undeposited cash sales.
- We reviewed cash deposits for the period of July 1, 2006 through December 31, 2006.
- We interviewed Park personnel regarding cash fund management.
- We inquired of management regarding the communication of policies and procedures to the staff members.

A draft report was sent to the Department on 02/12/08 and was discussed with management on 02/12/08. The department's responses to our recommendations are included in this report.

Overall Conclusion

We have concluded that the cash handling controls at Yucaipa Regional Park need to be improved to better safeguard cash assets. The improvements needed were specifically related to:

- Overall cash control safeguards
- Management of authorized cash funds
- Supervisory oversight procedures

In addition, the Park is in compliance with the Internal Control and Cash Manual regarding the frequency of their cash deposits. However, due to the volume of the sales activities, cash deposits should be performed more than once a week.

Findings and Recommendations

The specific policies, procedures, and practices that need improvement are discussed below.

Audit Finding #1 Safeguards for cash need to be improved.

The County's Internal Control and Cash Manual, Chapters 3 and 6, state cash assets should be locked in a file cabinet and out of public view and each cashier should be assigned a cash drawer key.

The cashiers did not have a key to lock the cash register while they were on either their breaks or lunches. Also, the office assistant did not keep cash received for reservations in a locked drawer and out of public view. Park Superintendent did not communicate or enforce the proper cash handling controls to operating personnel.

The Park becomes more susceptible to misappropriations related to cash without the enforcement of adequate safeguards.

Recommendation

The Park Superintendent should communicate, and enforce, the cash handling guidelines stipulated in the County Internal Controls and Cash Manual. Furthermore, the Park Superintendent should periodically monitor these controls to ensure they are being properly performed.

Management's Response:

The Park has implemented some changes since the audit which we feel put the park in compliance. The park installed locking, anchored cash boxes and singular keys to secure funds for breaks and lunches.

Previously, cashiers secured money in register drawer with their unique sign-in code numbers on short breaks, and pulled and bagged their cashier drawers to be held in the office safe during lunches, via supervisor.

The office assistant would always finish the transaction on the reservation computer, or with the customer on the phone, then takes the check or credit card receipt to gate register where it was immediately rung up. On the date of the audit, she was seen with receipts on her desk while in the middle of a transaction.

Supervisors did communicate and enforce proper cash handling controls of operating personnel with information they had at that point in time.

Auditor's Response:

In our inquiry with the office assistant, as well as our physical observation, the cash received for reservations was routinely placed on the office assistant's desk, within public view.

Audit Finding #2 **The supervisory controls related to the Change Fund need to be improved.**

The County's Internal Control and Cash Manual, Chapter 6, states that adequate controls must be practiced for both the cash receipting functions and voiding transactions.

The supervisors performing the close out procedures for the cashiering systems did not always properly complete and sign-off on the Daily Revenue Reports. In addition, the supervisors frequently did not initial the voided receipts when approving voided transactions. Out of the 14 voided transactions reviewed, only 6 had evidence of a supervisor's approval. The Park Superintendent did not always ensure supervisors are fully performing their duties of managing the Change Fund.

The lack of supervisors properly approving the Daily Revenue Reports and voided transactions allows the Park to become susceptible to cash misappropriations by operating personnel.

Recommendation

The Park Superintendent should ensure that supervisors properly complete and sign-off on the Daily Revenue Reports, and approve voided transactions; further the performance of these controls should be periodically monitored.

Management's Response:

The Park has implemented some changes since the audit which we feel put the park in compliance. All void receipts and journal tapes are initialed by supervisor at the time the void is done.

Previously, Supervisors were under the impression that because only Supervisors have keys, and not cashiers, that all voids performed had Supervisory approval.

Daily revenue reports were / are not always fully completed and signed off before closing because of time constraints, emergencies, and the scope of operation for a facility of this size. However, all revenue reports are reviewed before being initialed and / or identified for completion next day. This does not appear to be in conflict with cash handling procedures, and reduces the cost of overtime. It is also necessary to review some daily transactions, which cannot always be done that evening.

Auditor's Response:

Management's response addresses planned actions, as well as, actions taken to correct deficiencies noted in the finding.

Audit Finding #3 **Management of both the Petty Cash Fund and Cash Difference Funds need to be improved.**

The County's Internal Control and Cash Manual, Chapter 4, states cash funds reconciled on a monthly basis and vouchers are to be utilized for petty cash transactions.

The following conditions were disclosed during our review:

- Since the Petty Cash Vouchers were not used for either cash advances or reimbursements, there was no written documentation of supervisory approval or evidence that the employee received the funds.
- Individuals other than the fund custodian were allowed to disburse petty cash funds.
- Reconciliations for the cash funds were neither performed on a monthly basis nor by someone other than the fund custodian.

Management stated they were aware of the general guidelines in the Internal Control and Cash Manual, but had not enforced them.

Both the Petty Cash and Cash Difference Funds may not be able to serve the purposes for which they were established if they are not properly managed.

Recommendation

The Park Superintendent should ensure both the Petty Cash and Cash Difference Funds are reconciled at least monthly by someone of a higher ranking than the fund custodian and Petty Cash vouchers are utilized for all cash advances and reimbursements.

Management's Response:

Carbon copy petty cash vouchers are now used. The original is kept in book and a copy attached to the receipt. The fund is now reconciled weekly.

Previously, the single sheet vouchers were used only when cash was dispersed before the purchase and then disposed of on reconciliation. However, employees (95% of time) used their cash out of pocket were then reimbursed later by a supervisor. Given the dynamics of 365 day a year park operations, full time staff had access / accountability in petty cash funds. Reconciliation of funds took place at least monthly as seen on our log sheet.

Auditor's Response:

Management's response addresses planned actions, as well as, actions taken to correct deficiencies noted in the finding.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
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